

Congress of the United States
Washington, DC 20515

February 16, 2006

Mr. Matthew J. Slaughter, PhD
Member
Council of Economic Advisers
1800 G Street NW
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Ms. Katherine Baicker, PhD
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Dear Mr. Slaughter and Ms. Baicker:

On Monday, February 13, 2006, the Council of Economic Advisers released the 2006 Economic Report of the President, together with the Annual Report of the Council of Economic Advisers. We are writing to ask why the energy discussion in this document differs so significantly from the President's State of the Union Address.

As you know, on January 31, 2006, President Bush said in the State of the Union address that "we have a serious problem: America is addicted to oil, which is often imported from unstable parts of the world."¹ The President stated that technological breakthroughs in hybrid cars, electric cars, hydrogen fuel cell cars, and cellulosic ethanol would allow the United States "to replace more than 75 percent of our oil imports from the Middle East by 2025."² The President said that his plan would allow the nation to "move beyond a petroleum-based economy, and make our dependence on Middle Eastern oil a thing of the past."³

President Bush states in the *Economic Report of the President* that the *Annual Report of the Council of Economic Advisers* (CEA Report) discusses the energy plan announced in the State of the Union.⁴ However, while the CEA Report does describe many policy proposals supported by the Administration, it does not appear to reflect the President's State of the Union energy plan.

¹ President George W. Bush, State of the Union Address (Jan. 31, 2006) (online at <http://www.whitehouse.gov/news/releases/2006/01/20060131-10.html>).

² *Id.*

³ *Id.*

⁴ Economic Report of the President together with the Annual Report of the Council of Economic Advisers (Feb. 2006) (online at <http://www.whitehouse.gov/cea/erp06.pdf>).

The CEA Report acknowledges support for several energy policies, including the following:

- “The Administration supports greater access to oil and natural gas resources in Federal waters off shore states that support such development and supports opening a small portion of the Arctic National Wildlife Refuge (ANWR) in Alaska.”
- “The Administration supports greater access to natural gas and oil resources in Federal waters off shore of states that support such development.”
- “The Administration is supporting the development of various technologies that will improve power plant efficiency.”
- “The Administration is also supporting further development of renewable sources of electricity, such as wind, solar energy, and biomass (e.g., wood and agricultural crops)”
- “the Administration is supporting the development of nuclear power”⁵

But the report fails to mention the President’s initiative to “move beyond a petroleum-based economy, and make our dependence on Middle Eastern oil a thing of the past,” and it does not explain how this vision can be made into reality. For example, there is no discussion of key elements of the State of the Union Address, including hybrid technology, electric cars, or fuel cells. Plug-in hybrids are not mentioned. Additionally, while the report states that the Administration supports development of biomass, there is no mention of how the President’s State of the Union goal of making ethanol from wood chips and switch grass “practical and competitive within six years” will be achieved.

With regard to conservation, the report offers no help to American families struggling under increasing energy bills. The report states: “Increased scarcity and rising prices over time will encourage conservation.”⁶ However, increased scarcity and rising prices is hardly a policy prescription for aiding the American people. Overall, the report seems to lack any policies for short- to mid-term solutions, stating, “In the long run, households and businesses respond to higher fuel prices by cutting consumption, purchasing products that are more efficient, and switching to alternative energy sources.”⁷

After the President’s State of the Union address, the press reported that Energy Secretary Samuel Bodman and the director of the president’s National Economic Council, Alan Hubbard, stated that the President “didn’t mean it literally.”⁸ The press also reported that Energy Secretary

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

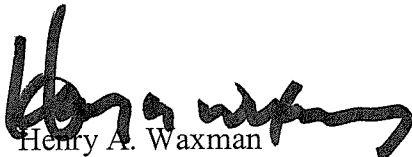
⁸ Administration backs off Bush’s vow to reduce Mideast oil imports, Knight Ridder Newspapers (Feb. 1, 2006) (online <http://www.realcities.com/mld/krwashington/news/nation/>

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Bodman stated the energy goal “was purely an example.”⁹ The CEA report further buttresses these concerns about the Administration’s commitment to the State of the Union energy proposals.

This issue is too important for the President to not “mean” what he says. Relying on a policy of “increased scarcity and rising prices” may enrich the oil and gas industry, but it is an unwise course of action to say the least. We request an explanation of how we are to interpret this report, and whether the American people should dismiss the President’s State of the Union Address, as apparently the Council of Economic Advisers has.

Sincerely,


Henry A. Waxman
Member of Congress


Marcy Kaptur
Member of Congress


Jim Davis
Member of Congress